

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA  
UNSTARRED QUESTION NO. 1170  
ANSWERED ON TUESDAY, THE 08<sup>TH</sup> MARCH, 2016**

**INVESTIGATION OF CORPORATE FRAUDS BY SFIO**

**QUESTION**

1170. SHRI AJAY SANCHETI:  
SHRI B.K. HARIPRASAD:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether Government has set up a Serious Fraud Investigation Office (SFIO) to investigate corporate frauds of serious and complex nature;
- (b) if so, the details thereof;
- (c) the details of investigations carried out by this office during last three years with nature of frauds detected and prosecutions made; and
- (d) the details of corrective measures taken to prevent such frauds in future?

**ANSWER**

THE MINISTER OF CORPORATE AFFAIRS

(SHRI ARUN JAITLEY)

(a) & (b) Yes, Sir. The SFIO established, vide Government of India's Resolution No. 45011/16/2003-Admn-I dated 02-07-2003, has been notified under sub-section (1) of Section 211 of the Companies Act, 2013, vide Government of India, Gazette Notification S.O. 2005(E) dated 21.07.2015.

(c) Details of investigations completed and prosecutions/ petitions in Company Law Board filed (including in respect of investigations completed in earlier years) by SFIO during the period of last three years and the current year (up to 31-12-2015), are as under:

<b>Year</b>	<b>Number of investigations completed</b>	<b>Prosecutions filed</b>
2012-13	22	45
2013-14	22	89
2014-15	39	61
2015-16 (up to 31-12-2015)	39	44

The nature of frauds detected involve:-

- (i) Falsification of financial statements through inflated sales, overstatement of assets and understatement of liabilities;

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- (ii) Collection of deposits by companies under the guise of real estate, chit fund, etc. by alluring small investors with astronomical returns within short time without meeting the promises;
  - (iii) Fraudulent transactions;
  - (iv) Manipulation through related party transactions;
  - (v) Siphoning off and diversion of funds generated through various sources.
- (d) Government has taken a number of measures to curb and prevent corporate frauds, which include;
- (i) Declaring 'Fraud' as a substantive offence has been introduced in the Companies Act, 2013.
  - (ii) Statutory status to the Serious Fraud Investigation Office has been granted under the Companies Act, 2013.
  - (iii) Stricter norms of Corporate Governance and their implementation under the Companies Act, 2013.
  - (iv) Increasing application of technology for early detection of frauds through data analysis, surveillance and usage of forensic tools, etc.

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